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WASHINGTON, D. C. 20036

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BOSTON, MASS. 02110
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INTERSTATE COMMERCE COMMISSION

November 28, 1979

2-322A092

Date NOV 28 1979

Fee \$ 50.00

ICC Washington, D. C.

Hon. Agatha L. Mergenovich
Secretary
Interstate Commerce
Commission
Washington, DC 20423

Re: Lease Agreement made as of November 14, 1979
among U.S. Steel Credit Corporation, Lessor,
and Minnesota, Dakota & Western Railway Company,
Lessee, and Itel Corporation, acting through
its Rail Division, as an independent contractor.

Dear Ms. Mergenovich:

Enclosed for filing with, and recording by the Interstate
Commerce Commission are an original and 2 counterparts of a
lease agreement dated as of November 14, 1979, among U.S.
Steel Credit Corporation, as Lessor, and Minnesota, Dakota
& Western Railway Company, as Lessee, and Itel Corporation,
acting through its Rail Division, as an independent contractor,
covering the following railroad equipment:

100 100-ton, 50'6", Steel Cushion Underframe
Nailable Steel Floor Plate C Boxcars (AAR
Mechanical Designation XP), bearing identifying
numbers MDW 8000-8099, both inclusive.

Identifying marks on the foregoing equipment:

The words "U.S. Steel Credit Corporation,
Pittsburgh, PA, Owner and Lessor" or with other
appropriate words designated by Lessor from time
to time during the term of this Agreement,
printed on each side of each car.

Also enclosed is this firm's check in the sum of \$50.00,
payable to the Interstate Commerce Commission, being the
prescribed fee for filing and recording the foregoing
document.

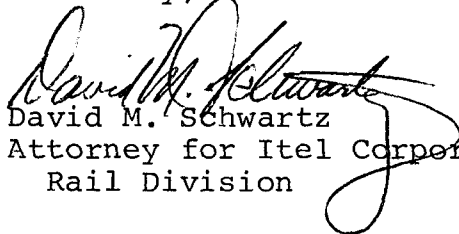
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I.C.C.

Robert A. Callahan
Robert A. Callahan

Hon. Agatha L. Mergenovich
Page 2
November 28, 1979

Additional copies of the enclosures not required by
the Commission should be returned to the undersigned.

Sincerely,


David M. Schwartz
Attorney for ITEL Corporation,
Rail Division

DMS/mac
Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

11/28/79

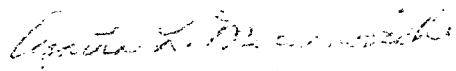
OFFICE OF THE SECRETARY

David M. Schwartz
Sullivan & Worcester
1025 Conn. Ave., N.W.
Washington, D.C. 20036

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/28/79 at 1:55pm , and assigned re-recording number(s). 11119

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

NOV 28 1979 - 1 45 PM

LEASE AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS LEASE AGREEMENT, made as of this 14th day of November 1979, by and among U.S. STEEL CREDIT CORPORATION, a Delaware corporation, ("Lessor"), as Lessor, and MINNESOTA, DAKOTA & WESTERN RAILWAY COMPANY, a Minnesota corporation, P.O. Box 7747, Boise, Idaho, 83707 ("Lessee"), and ITEL CORPORATION, a Delaware corporation acting through its Rail Division, Two Embarcadero Center, San Francisco, California, 94111 ("Itel") as an independent contractor.

W I T N E S S E T H:

WHEREAS, Lessor, pursuant to an assignment to it of a purchase order between the manufacturer and Itel (a copy of said assignment attached hereto as Exhibit I), shall purchase and be the owner of certain units of railroad rolling stock more specifically identified on Schedule A hereto; and

WHEREAS, Lessee operates a railroad in the State of Minnesota; and

WHEREAS, Lessee requires the use of certain railroad equipment as herein set forth to furnish transportation services to its customers; and

WHEREAS, Lessor proposes to lease the railroad equipment set forth in Schedule A to Lessee for a period of years as herein provided for; and

WHEREAS, Itel is in the business of managing rail cars and is entering into a Management Agreement with Lessor of even date herewith;

NOW THEREFORE, Lessor and Lessee and Itel do hereby agree as follows:

1. Scope of Agreement

A. Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor freight cars of the types and descriptions as set forth in any equipment schedules

(hereafter "Schedules") executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The scheduled items of equipment are hereinafter referred to as the "Car" or "Cars".

B. It is the intent of the parties to this Agreement that Lessor shall at all times be and remain the lessor of all Cars and Itel shall at all times be and remain an independent contractor for Lessor. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

C. Lessor and Lessee agree that, as between themselves, Lessee shall be entitled to claim the benefits on any available Investment Tax Credit for Federal income tax purposes in connection with the acquisition of the Cars bearing the reporting marks MDW 8000-8099 set forth on Schedule A to the Agreement. Lessor agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars.

D. At all times while this Agreement is in force, no title or other right of ownership in the Cars shall be vested in Lessee or Itel, and delivery of possession of the Cars to Lessee or Itel and Lessee's or Itel's possession of the Cars is solely in accordance with the terms of this Agreement.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The term of lease with respect to all of the Cars described on each Schedule shall be for fifteen (15) years (the "Initial Lease Term") commencing upon the date when all Cars on such Schedule have been delivered as set forth in Section 3A hereof.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five consecutive periods of twelve months each (the "Extended Lease Term") with respect to all of the Cars described on each Schedule, provided, however, Lessor or Lessee may terminate this Agreement as to all, but not fewer than all, of the Cars on any such Schedule by written notice delivered to the other not less than twelve months prior to the end of the Initial Lease Term or any Extended Lease Term.

3. Supply Provisions

A. Itel will, on behalf of Lessee and Lessor, inspect each of the Cars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to Itel that the sample Car (one for each different type of Car on each Schedule) made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment agreed to by Lessee. Upon such approval by Lessee and Itel's determination that the Car conforms to the specifications ordered by Lessor and to all applicable governmental regulatory specifications, and provided this Agreement has not been terminated, Itel will accept delivery thereof on behalf of Lessor and Lessee at the manufacturer's facility and shall notify Lessor and Lessee in writing of such acceptance in the form of the certificate of acceptance attached hereto. Each of the Cars shall be deemed delivered to Lessee upon acceptance by Itel at the manufacturer's facility. The Cars shall be moved to Lessee's railroad line or to a Boise Cascade manufacturing facility at Lessee's direction at no cost to Lessee as soon after acceptance of delivery by Itel as is consistent with mutual convenience and economy. Due to the nature of railroad operations in the United States, Itel can neither control nor determine when the Cars leased hereunder will actually be available to Lessee for its use on its railroad tracks. To move the Cars to Lessee's railroad line or to a Boise Cascade manufacturing facility at Lessee's direction and insure optimal use of the Cars after the first loading of freight for each

Car whether on the railroad line of Lessee or on any other railroad line selected by Lessee (the "Initial Loading"), IteI agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and IteI, to issue movement orders with respect to such Cars to other railroad lines in accordance with Interstate Commerce Commission and AAR interchange agreements and rules; provided Lessee shall be primarily responsible for insuring all Cars arrive at Lessee's railroad tracks or to a Boise Cascade manufacturing facility at Lessee's direction as soon as reasonably possible.

B. Lessee shall give preference to Lessor and shall load the Cars leased from Lessor prior to loading Cars leased from other parties, purchased by Lessee subsequent to the date of this Agreement or interchanged with railroads; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request thereto to shippers on its railroad tracks, and provided further, Lessee shall not have to provide Lessor Cars priority at the expense of unreasonably disrupting Lessee's normal operations.

C. Except as hereinafter provided, additional Cars may be leased from Lessor by Lessee only upon the written mutual agreement of the Lessor and Lessee. Upon such agreement, such additional Cars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by Lessor and Lessee. Notwithstanding the execution of any Schedules, including Schedules for additional Cars, the delivery of any Car to Lessee shall be subject to manufacturers' delivery schedules.

4. Railroad Markings and Record Keeping

A. Lessor and Lessee agree that on or before delivery of any Cars to Lessee, said Cars will be lettered with the reporting marks of Lessee and may also be marked with the name and other insignia used by Lessee.

Further, each Car shall be plainly, permanently and conspicuously marked on each side of each Car in letters not less than one inch in height "U. S. Steel Credit

Corporation, Pittsburgh, PA, Owner and Lessor" or with other appropriate words designated by Lessor from time to time during the term of this Agreement. Such names, insignia and numbering shall comply with all applicable regulations.

B. At no cost to Lessee, and at no additional cost to Lessor other than as provided under the Management Agreement, Itel shall during the term of this Agreement prepare for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but are not limited to the following: (i) appropriate AAR documents including an application for relief from AAR Car Service Rules 1 and 2; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; (iii) such reports as may be required from time to time by the Interstate Commerce Commission and other regulatory agencies in the U.S. and Canada so as to protect Lessor's title to the Cars. The Lessee will from time to time do and perform any action and will execute, acknowledge, deliver, file, register, record (and will refile, reregister and redeposit and re-record whenever required) any and all further instruments, including, but not limited to, continuation statements on form UCC-2 and additional permitted subleases, required by law or reasonably requested by the Lessor for the purpose of properly protecting the Lessor's right, title and interest under this Lease and in the Units or for the purpose of carrying out the intention of this Lease. The Lessee will promptly furnish to the Lessor evidence of all such filings, registrations, or recordations and an opinion or opinions of counsel for Itel or the Lessee with respect thereto satisfactory to the Lessor.

C. Each Car leased hereunder shall be registered, by Itel at no cost to Lessor or Lessee, in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. Itel shall, on behalf of Lessee and Lessor, perform all record keeping functions related to the use of the Cars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire

reconciliation. Correspondence from railroads using such Cars shall be addressed to Lessee at such address as Itel shall select and to which Lessee shall consent in writing.

D. All record keeping performed by Itel hereunder shall be done in an accurate and prompt manner and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by Itel in a form suitable for reasonable inspection by Lessee and Lessor from time to time during regular Itel business hours. Lessee shall supply Itel with such reports, including daily reports of the number of Cars on Lessee's tracks and use of the Cars by Lessee on its railroad line as Itel may reasonably request.

E. The Lessee shall have the right, as provided for in Section 5, upon two months' prior written notice to Lessor to perform all of the record keeping functions mentioned in this Section 4, and in the event Lessee so elects, Lessor shall have the right to reasonable inspection of Lessee's records as provided for in this Section 4 and Lessee shall forward to Lessor such reports as it is obligated to supply to Itel under Section 4D above.

5. Lessee's Assumption of Record Keeping and Receipt of Payments

A. At any time during the term of this Agreement at its sole discretion and expense, Lessee may if it shall reasonably determine that Itel has not performed its record keeping in an accurate and prompt manner upon prior written notice to Lessor, take over and assume from Itel as soon as is practicable but in no event later than two months after receipt of notice to Lessor, all record keeping functions, record of payments, charges and correspondence related to the use of the Cars; provided, however, Lessor shall have the right to correct such performance problems that Lessee has reasonably determined and if such remedial efforts on the part of Lessor are satisfactory to Lessee, Lessee shall not assume such record keeping functions. In addition, upon the giving of the notice provided for above, the parties will, as soon as practicable but in no event later than two months, make arrangements for the receipt of Payments

(as defined in Section 7) by Lessee rather than Itel, it being understood that upon receipt of such Payments by Lessee, Section 7.B. of the Agreement will automatically be deemed to be revised to read as follows:

"B. The calculations required above shall be made within five months after the end of each calendar year. However, Lessee shall remit to Lessor on the first business day of each month, the full amount of all Payments earned by or owed by Lessee (less any deduction authorized to be made by Lessee under the terms of this Agreement) during the next preceding calendar month from any car hire settlement with respect to any Car leased hereunder."

6. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, Lessor will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Cars during its lease term and any extension thereof, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the fault of Lessee. Lessee shall inspect all Cars interchanged to it to insure that such Cars are in good working order and condition and shall be liable to Lessor for any repairs required for damage not noted at the time of interchange. Lessee and Itel hereby transfer and assign to Lessor for and during the lease term of each Car all of its right, title and interest in any warranty in respect to the Cars except for Lessee's right to recover any damages from the manufacturer of the Cars that arise directly or indirectly as a result of a loss to cargo being transported in the Cars. All claims or actions on any warranty so assigned shall be made and prosecuted by Lessor at Lessor's sole expense and Lessee shall have no obligation to make any claim on such warranty; provided Lessee retains the right to prosecute at its sole cost any claim against a manufacturer for product defect if Lessee claims damages arising from loss to cargo transported in the Cars. Any recovery under such warranty shall be payable solely to Lessor except as to any action brought by Lessee to recover for claims

arising from damages to cargo carried in the Cars. Only for purposes of Section 6A, the railroad car manufacturer shall include both the original maker of the Car and any person who repairs or rebuilds a Car during the term of this agreement or any extension thereof.

B. Except as otherwise provided, Itel shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. Upon request of Itel, Lessee shall, to the extent it is capable of repairing Cars, perform any necessary maintenance and repairs to Cars on Lessee's railroad tracks as may reasonably be requested by Itel. Itel shall also make, at Lessor's expense, all alterations, modifications or replacement of parts, as shall be necessary to maintain the Cars in good operating condition throughout the term of the lease of such Cars. Lessee may make running repairs to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alterations, improvements or additions to the Cars without Itel's prior written consent. If Lessee makes an alteration, improvement or addition to any Car without Itel's prior written consent, Lessee shall be liable to Lessor for any revenues lost due to such alteration. Title to any such alteration, improvement or addition shall be and remain with Lessor.

C. Lessee will at all times while this Agreement is in effect be responsible for the Cars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of the Car Service Rules - Freight for Cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against physical damage involving the Cars while on Lessee's railroad tracks by either obtaining insurance or maintaining a self insurance program which conforms to sound actuarial principles. Lessee shall also maintain bodily injury and property damage liability insurance while the Cars are on Lessee's railroad. Lessee shall provide Itel and Lessor with a certificate of insurance with respect to such insurance carried on the Cars 30 days prior to the delivery of any Car and

thereafter at intervals of not more than twelve calendar months at Itel's or Lessor's request. Lessee shall also provide Itel and Lessor all notices of cancellation and material changes in coverage 30 days prior to such cancellation and material changes in coverage. All insurance with respect to the Cars taken out in the name of Lessee, shall name the Lessor (or its assignee) as loss payee and additional named insured as its interests may appear.

D. Lessor agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Car and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Car to Lessee or which may be accrued, levied, assessed or imposed during the lease term, except taxes on income imposed on Lessee and sales or use taxes imposed on the mileage charges and/or car hire revenues; provided, Lessor shall pay all income, sales, use, gross receipts, or other tax levied against the gross amount of Payments. Lessor and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars. Lessee shall direct to Itel for review and approval by Lessor, not later than 30 working days prior to filing any sales or use or other tax returns including but not limited to property, gross receipts or rental tax returns, with relevant information from Lessee's proposed sales, use or other tax returns; provided, however, that Lessor only shall file such returns as required of the owners of the Cars; Lessee shall forward to Itel and Lessor upon receipt all correspondence, notifications or proposed assessments and tax bills associated with any tax reimbursable by Lessor. Itel may in good faith and by appropriate proceedings, with written consent of Lessor, contest any assessment, notification of assessment or tax bill. Lessor shall assume total and full responsibility for all expenses including legal fees resulting from such contest. Itel will obtain Lessor's consent prior to the payment of any taxes on account of the Cars. Lessor shall pay all penalties plus interest resulting from its failure to consent on a timely basis. Notwithstanding the

foregoing, Lessee shall pay and Lessor need not reimburse Lessee for any customs duties imposed by the Government of Canada or withholding taxes imposed as a result of the use of the Cars bearing the reporting marks MDW 8000-8099 in Canada; Lessee shall indemnify and hold harmless Lessor from any claim, loss or expense of any kind as a result of any such customs' duties and/or withholding taxes being imposed or asserted against either Lessor or such Cars by reason of their use in Canada. Lessee agrees that it shall not use or knowingly permit the use of the Cars outside the United States and Canada, and will not use or knowingly permit the use of the Cars on a regular or continuing basis in Canada outside the Provinces of Manitoba, Ontario and Quebec unless Lessor shall have received prior written notice as soon as practicable.

E. Itel currently maintains bodily injury and property damage insurance and insurance against damage to railroad cars. During the term of this Lease Lessor agrees to pay for the additional cost of such insurance for the Cars covered by this Lease and to request that Itel name Lessor as a loss-payee and additional insured on such policies. A copy of the current policies with the endorsements relating to this Lease have been delivered to Lessee concurrently with the execution of this Lease.

Lessor's obligation to pay for and maintain this insurance is conditioned upon (1) the insurance policies referred to or equivalent policies will be provided to Lessor by Itel, and (2) the initial cost to Lessor shall be \$30 per year per Car for the Cars subject to this Lease. Lessor agrees to pay for and maintain the insurance if it is available as set forth above, provided that for any 12 month period commencing September, 1979 the premium shall be no greater than the Allowable Premium as hereinafter defined. The Allowable Premium for the next succeeding 12 months after the execution of this Lease shall be the \$30 per year per Car plus an increase or decrease equal to the percentage change in the Wholesale Price Index occurring as of September, 1980 as compared with the Wholesale Price Index as of September, 1979. The Wholesale Price Index shall mean the seasonably unadjusted U.S. monthly index

shown under the heading "Industrial Commodities" of the Monthly Wholesale Prices and Price Indexes issued by the Bureau of Labor Statistics of the United States Department of Labor. For each successive 12-month period during the term of this Lease, while such insurance is in effect, the Allowable Premium will be increased or decreased in accordance with the percentage increases or decreases in the Wholesale Price Index. In the event the actual premium for any 12-month period is in excess of the Allowable Premium, then Lessor in its sole discretion and upon 20 days written notice to Lessee shall have a right to terminate its coverage under the above referred to insurance policies or equivalent policies to the extent maintained or obtained by or through Itel. Lessee, upon receipt of such notice from Lessor shall have the option to retain such insurance by paying the excess amounts above the Allowable Premium.

7. Lease Rental

A. Lessee agrees to pay the following as rent to Lessor, for the use of the Cars and Itel agrees to accept the following on Lessor's behalf as rent on the Cars:

(i) Itel shall receive on Lessee's behalf all payments including but not limited to mileage charges and straight car hire payments (all of which payments made to Lessee are hereinafter collectively referred to as "Payments") made to Lessee by other railroad companies for their use or handling of the Cars. For the purpose of this Agreement, Utilization of the Cars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that car hire payments are earned by Lessee on the Cars commencing from the Initial Loading, and the denominator of which is the aggregate number of days in each year that the Cars are on lease to Lessee, commencing from the Initial Loading.

(ii) The rental charges payable to Lessor by Lessee shall be paid from the Payments received by Lessee in the following order until Lessor receives the amounts due it pursuant to this section: (1) straight car hire payments; (2) mileage charges and (3) other (excluding Demurrage Payments paid to Lessee on the Cars).

(iii) In the event damage or destruction of a Car has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules—Freight and the appropriate amount due as a result thereof is received by Lessor, said damaged or destroyed Car will be removed from the coverage of this Agreement as of the date that payment of Car hire payments ceased. If a Car or Cars are destroyed on lines of the Lessee, Lessee shall pay the Lessor the appropriate amount that would have been due if settled under Rule 7.

(iv) While any Car is on Lessee's railroad tracks, Lessee shall pay Lessor, as additional rent, an amount equal to the car hire revenues Lessee would have earned if such Car was in the physical possession and use of another railroad. There shall be excluded from the above, those days Lessee is required to hold Cars at the direction of, or due to action taken or used by, Lessor.

B. The calculations required above shall be made within five months after the end of each calendar year. All Payments received by Lessee shall be deposited in the bank account established by Lessee for the purpose of receiving Payments and Itel shall render to Lessee a monthly statement of all funds withdrawn from Lessee's bank account by Itel. Since the parties desire to determine on a monthly basis the approximate amount of the rental charges due Lessor, Itel shall within five months after the end of each calendar month, reconcile on a monthly basis rather than a yearly basis the amount due Lessor pursuant to this section. Any adjustments pursuant to the preceding sentence shall be paid promptly following such reconciliation.

C. Lessee shall open a bank account with Bank of America National Trust and Savings Association, Bank of America Center, San Francisco, California, 94104, or such other satisfactory banking institution for accumulating and disbursing lease payments under this Agreement. Lessee agrees to give the sole power to withdraw money from the foregoing bank account to Itel so long as Lessee has not received notice

from Lessor that the Management Agreement has been terminated; once Lessee is notified of such termination, then such power to withdraw shall be solely Lessor's. Lessor agrees that the entire balance of the bank account shall be used exclusively by Lessee or Boise Cascade Corporation and any subsidiary thereof as compensatory balances to the extent the rental payments accumulate in the bank account, provided this section shall not limit Itel's or Lessor's right to withdraw the rentals pursuant to Sections 7B and 7C. In the event Lessee exercises its option under Section 5A, Lessee may select any bank in the United States and shall have the sole power in accordance with this Agreement to withdraw money from any bank account created for accumulating and disbursing lease payments under this Agreement.

D. In the event Utilization in any calendar month is less than 96 percent, for Cars, Lessor may, at its option and upon not less than 30 days prior written notice to Lessee, terminate this Agreement as to such Cars as Lessor shall determine, provided, however, Lessee shall have the option at Lessee's sole discretion to pay Lessor within ten days of receipt of the Utilization for the calendar month, a sum of money equal to the rent lost by Lessor as a result of the Cars failing to maintain a Utilization of 96 percent, and Lessor shall after such payment not terminate this Agreement until such time as Utilization at the end of a subsequent month is less than 96 percent on the Cars.

E. Either Lessor or Lessee may terminate this Agreement if the Interstate Commerce Commission shall either determine that Lessee may not apply its car hire receipts in payment of the rental charges set forth in this section or require that Lessee spend monies in addition to the obligations of Lessee under this Lease, in order for Lessee to continue to meet its obligations set forth in this section. Lessor or Lessee may, in any event, terminate this Agreement if for any reason governmental regulation orders prohibit the Lessee from making the payments described in Section 7. Lessor may also terminate this Agreement at its option if the exemption from

Canadian customs' duty currently applicable to railway rolling stock placed in international services (which is set forth in Railway Rolling Stock International Service remission order Number Four of the Deputy Minister of National Revenue, Customs and Excise, established by Order in Council P.C. 1975-1975) shall be adversely affected by the passage of, change in, or amendment of, any law, statute, rule, regulation, order or action of the Canadian Government or any agency thereof.

F. If Lessee gives Lessor notice of a strike at such location at which the Cars may be assigned, this Agreement shall not be terminated unless the Utilization for such Cars computed for a three month period commencing one month after the strike occurs shall be less than 96 percent on Cars, provided Lessee will use its best efforts to obtain maximum Utilization for such Cars during the period of any such strike.

8. Disclaimer of Warranties

A. LESSEE ACKNOWLEDGES AND AGREES THAT LESSOR HAS NOT MADE AND DOES NOT HEREBY MAKE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO CONDITION, QUALITY, DURABILITY, SUITABILITY, ADEQUACY, MERCHANTABILITY, FITNESS FOR USE OR FOR A PARTICULAR PURPOSE, DESIGN, OPERATION, USE OR PERFORMANCE OF ANY CAR OR ANY OTHER REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, WITH RESPECT TO ANY CAR, except that Lessor represents that it has such title and ownership in the Cars as has been conveyed to Lessor by FMC Corporation in bills of sale relating to the Cars.

B. Lessee acknowledges and agrees that, except as otherwise specifically provided herein, Lessor shall have no responsibility or liability to Lessee with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Car or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Car or any risks relating thereto; or (iii) any interruption

of service, loss of business or anticipatory profits or consequential damages.

9. Possession and Use

A. So long as Lessee shall not be in default under this Agreement or fails to meet the conditions specified in Section 7D, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent Cars are customarily used in the railroad freight business. Lessor and Lessee agree that to the extent they have physical possession or can control use of the Cars, the Cars will at all times be used and operated by railroads subscribing to the Association of American Railroads car service and car hire agreements and in conformity therewith, or such other rules or regulations with respect to car service and car hire as may be made by the Interstate Commerce Commission or any successor thereto; and will be used and operated to reasonably maximize car revenue generating capabilities and under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property including the Association of American Railroads Code of Car Service Rules and Interpretations - Freight and Code of Car Hire Rules and Interpretations - Freight, except that either Lessor or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or Schedule thereto. If any creditor of the Lessee or Boise Cascade Corporation or a subsidiary thereof files a mortgage, pledge, lien, charge encumbrance, security interest, or any claim against the Cars, Lessee will promptly, at its expense, take such action as may be necessary to duly discharge such encumbrance.

10. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The nonpayment by Lessee or Lessor of any payment ten days after notice from one party to the other that a payment pursuant to this Agreement is delinquent;

(ii) The breach by Lessee or Lessor of any other term, covenant, or condition of this Agreement, which is not cured within ten days after notice has been given Lessee or Lessor;

(iii) Any act of insolvency by Lessee or Lessor, or the filing by Lessee or Lessor of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors;

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee or Lessor that is not dismissed within 60 days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee or Lessor, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within 60 days from the date of said filing or appointment;

(v) The subjection of substantially all of Lessee's or Lessor's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency; or

(vi) Except as a result of a strike or other act or acts beyond Lessee's control, any action by Lessee to discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state.

B. Upon the occurrence of any event of default, Lessor or Lessee may, at its option, terminate this Agreement (which termination shall not release Lessee from any obligation to pay to Lessor any and all rent or other sums that may then be due or accrued to such date or from the obligation to perform any duty or discharge any

other liability occurring prior thereto) and may

(i) Proceed by any lawful means to enforce performance by the other party to this Agreement of such obligations or to recover damages for a breach thereof (and the defaulting party agrees to bear the other party's costs and expenses, including reasonable attorneys' fees, in securing such enforcement), or

(ii) By notice in writing to the defaulting party, terminate Lessee's right of possession and use of the Cars, whereupon all right and interest of Lessee in the Cars shall terminate; and thereupon Lessor may enter upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee, waiving any and all damages occasioned by such taking of possession, however, Lessee shall remain subject to its obligations under Section 11. In addition, Lessor shall have the right to recover from Lessee any and all amounts which, under the terms of this Agreement may be due, shall have accrued to the date of such termination, and which Lessor incurred in the form of costs, expenses and reasonable attorneys' fees in obtaining possession of the Cars.

Lessee hereby waives any provision at law now or hereafter in effect which might limit or modify any of the remedies of Lessor provided hereunder or exempt any property of Lessee, except as so far as such waiver would conflict with the Bankruptcy Act.

11. Termination

At the expiration or termination of this Agreement or Lessee's right to use and possession as to any Cars, Lessee will surrender control of such Cars to Lessor. A Car shall be no longer subject to this Agreement upon the removal of Lessee's railroad reporting marks from the Car and the placing thereon of such marks as shall be designated by Lessor, either at the option of Lessor (1) by Lessee upon return of such Cars to Lessee's railroad line; or (2) by another railroad line which has physical

possession of the Car at the time of or subsequent to termination of the lease term as to such Car. If such Cars are not on the railroad line of Lessee upon termination caused by Lessee or expiration of the initial lease term or any extension thereof, any cost of removing Lessee's railroad reporting marks, assembling, delivering, storing, and transporting such Cars to Lessee's railroad line or the place of business of a subsequent lessee shall be borne by Lessee. If such Cars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense within five working days remove Lessee's railroad reporting marks from the Cars and place thereon such reporting marks as may be designated by Lessor. After the removal and replacement of reporting marks, Lessee shall use its best efforts to load such Cars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide to the extent Lessee has available storage space up to 60 days free storage on its railroad tracks for Lessor or the subsequent lessee of any terminated Car.

Without in any way limiting Lessee's obligation hereunder, Lessee hereby irrevocably appoints Lessor as Lessee's agent and attorney with full power and authority, at any time while Lessee is obligated to deliver possession of any Car to Lessor, to demand and take possession of such Car, in the name of and on behalf of Lessee, from whomever shall be in possession of such Car at that time.

12. Indemnities

A. Lessee agrees to be responsible for and indemnify and hold Lessor harmless for any and all loss or damage of or to the Cars while the Cars are on Lessee's tracks, Lessee has physical possession of the Cars, or as a result of any loss occasioned through the inaction, action or fault of Lessee or breach of Lessee of this Lease and any claims, damages, liabilities, injuries, demands or expenses (including reasonable attorneys' fees) resulting therefrom which may be asserted against Lessee or Lessor. In addition, Lessee shall assume and indemnify and hold Lessor harmless for those risks set forth

in Sections 6C, 6D, 7A(iii) or for Lessee's making any alteration, improvement or addition to any Cars in violation of Section 6B.

To the extent only of those risks covered by the insurance carried by Lessor as set forth in provision 6E Lessor will defend, indemnify and hold Lessee harmless from and against any and all losses, damages, injuries, liabilities, claims and demands whatsoever regardless of the causes thereof and any expenses in connection therewith, including counsel fees arising out of or as a result of the use and/or operation of the Cars while in the service of Lessee hereunder except for those losses, damages, injuries, liabilities, claims and demands for which Lessee shall be responsible as set forth above or for those claims and demands while the Cars are in the possession of a railroad subscribing to the AAR Code of Car Hire and Car Service Rules. Lessee agrees during the term of this agreement it will be a member of and subscribe to the AAR Code of Car Hire and Car Service Rules. Lessor's indemnity and liability under this paragraph is limited solely to whatever coverage is provided by the insurance policies referred to in 6E and its sole indemnity and liability is limited to the payment to Lessee of the actual insurance proceeds received from the insurance carriers at the time and in the amount as received by Lessor.

B. Any expense of any kind whatsoever incurred by Lessee, which is required under the terms of this Agreement to be borne by Lessor, shall be paid promptly by Lessor to Lessee upon written request therefore by Lessee, including but not limited to, costs, expenses, fees and charges relating to maintenance, repair or inspection performed on any railroad rolling stock which Lessee is required to perform or caused to have performed pursuant to governmental or AAR regulations as a result of this Agreement.

13. Representations, Warranties and Covenants

A. Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Agreement;

(ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Cars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound;

(iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee;

(iv) There is no fact which Lessee has not disclosed to Lessor in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Agreement; and

B. Lessor represents, warrants and covenants that:

(i) Lessor is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware;

(ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessor, or result in

any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessor or on the Cars to be acquired pursuant to this Agreement;

(iii) There is no action or proceeding threatened against Lessor before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessor; and

(iv) There is no fact which Lessor has not disclosed to the Lessee in writing, nor is Lessor a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessor can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessor or the ability of the Lessor to perform its obligations under this Agreement.

14. Conditions Precedent

The obligations of Lessor and Lessee under this Agreement are subject to the delivery of the following opinions:

A. Lessee will give Lessor an opinion of its counsel in a form satisfactory to Lessor; and

B. Lessor will give Lessee an opinion of its counsel in a form mutually satisfactory to Lessor and Lessee.

C. Lessor and Lessee shall each give to the other a certified resolution and such other documentation as each may reasonably request.

15. Inspection

After giving the Lessee reasonable notice, Lessor shall at any time during normal business hours have the right to enter the premises of Lessee where the Cars may be located for the purpose of inspecting and examining the Cars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify Lessor of

any accident connected with the malfunctioning or operation of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify Lessor in writing within 15 days after any attachment, tax, lien or other judicial process shall attach to any Car. Lessee shall furnish to Lessor promptly upon its becoming available, a copy of its annual report submitted to the Interstate Commerce Commission and, when requested, copies of any other income or balance sheet statements required to be submitted to the Interstate Commerce Commission.

16. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of Lessor assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void; however, the Lessee, so long as it shall not be in default under this Agreement, shall be entitled, from and after delivery of the Equipment to the Lessee, to the possession of the Equipment and the use thereof by it, any affiliate or the parent company (the "Parent Company") of the Lessee upon the lines of a railroad owned or operated by any such affiliate or the Parent Company or by it either alone or jointly with another and whether under lease or otherwise, or upon the lines of a railroad owned or operated by any company controlled by or controlling the Lessee, or over which it or any such affiliate or the Parent Company has trackage rights, or run through or operating agreements, from and after delivery of the Equipment to the Lessee, provided, however, that such use shall be subject to all the terms and conditions of this Agreement. The Lessee may lease the Equipment to an affiliate or its Parent Company but only upon and subject to all the terms and conditions of the Agreement and provided that no

such lease shall relieve the Lessee of any liability or obligations hereunder which shall be those of a principal and not a surety.

B. The parties hereto agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of this Agreement.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Cars except only as a lessee.

D. No failure or delay by Lessor shall constitute a waiver or otherwise affect or impair any right, power or remedy, available to Lessor nor shall any waiver or indulgence by Lessor or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by Interstate Commerce Act 49 U.S.C. Section 11303 and such additional rights arising out of the filing, recording or depositing hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement shall be filed, recorded or deposited.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above or as mutually agreed to by the parties of this Agreement.

G. Lessor and Lessee hereby agree that certain obligations of Lessor hereunder shall be performed on Lessor's behalf by Itel pursuant to a Management Agreement

between Lessor and Itel and Lessee hereby agrees for those certain obligations to accept performance by Itel or any successor to Itel as performance by Lessor. Lessor agrees to accept performances by Lessee under the terms of this Agreement to Itel in satisfaction of its lease obligations hereunder until such time as Lessee has received notification of termination of the Management Agreement. Notices and other communications and all payments, remittances or drafts shall be sent to the parties hereby at the addresses set out below or such other address as each party shall from time to time designate. Lessor agrees to notify Lessee promptly if at any time during the term of this Lease the Management Agreement between Lessor and Itel has been terminated. The addresses of Lessor, Lessee and Itel are:

U. S. Steel Credit Corporation
Attention: Vice President-Leasing
600 Grant Street
Pittsburgh, Pennsylvania 15230

Minnesota, Dakota & Western
P.O. Box 7747
Boise, Idaho 83707

Itel Corporation
Attention: President-Rail Division
Two Embarcadero Center
San Francisco, California 94111

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of

the date first above written.

ATTEST:

[Signature]

ATTEST:

[Signature]
Assistant Secretary

U.S. STEEL CREDIT CORPORATION

BY:

[Signature]

TITLE: Vice President

MINNESOTA DAKOTA AND WESTERN
RAILWAY COMPANY

OK BY:

[Signature]
Robert H. Schwarz

TITLE: President

ITEL CORPORATION
RAIL DIVISION

BY:

[Signature]

TITLE: President

ATTEST:

[Signature]
Mendy E. Johnson

EQUIPMENT SCHEDULE A

U.S. Steel Credit Corporation, ("Lessor") as Lessor hereby leases the following Cars to Minnesota, Dakota & Western Railway Company ("Lessee") as Lessee, and Itel Corporation ("Itel") as independent contractor for Lessor, subject to the terms and conditions of that certain Lease Agreement dated as of November 14, 1979.

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
XP	Box Steel Cushion Underframe Nail- able Steel Floor Plate C 100 Ton	MDW 8000- 8099	50' 6"	9' 6"	11' 0"	Single Plug 10' 0"	100

MINNESOTA, DAKOTA AND
WESTERN RAILWAY COMPANY

BY: Robert H. Schwarz

TITLE: President

DATE: November 14, 1979

ITEL CORPORATION, RAIL DIVISION

BY: Carl H. Lyle

TITLE: President

DATE: November 20, 1979

U.S. STEEL CREDIT CORPORATION

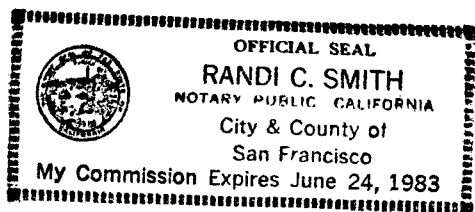
BY: John A. Brady

TITLE: Vice-Pres. - Leasing

DATE: 11/14/79

STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO } SS.

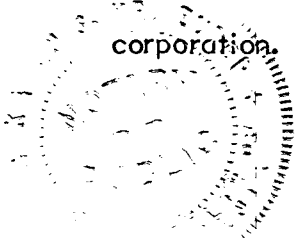
On this 20th day of November, 1979, before me personally appeared Carl H. Taylor, to me personally known, who being by me duly sworn says that such person is President of the Rail Division of ITEL Corporation, that the foregoing Lease Agreement and Equipment Schedule A, were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.



Randi C. Smith
Notary Public

COMMONWEALTH OF PENNSYLVANIA
COUNTY OF ALLEGHENY } SS.

On this 20th day of November, 1979, before me personally appeared J. L. Brady, to me personally known, who being by me duly sworn says that such person is Vice President Leasing of the U.S. Steel Credit Corporation, that the foregoing Lease Agreement and Equipment Schedule A, were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.



KAREN S. KRAEUTER, Notary Public
PITTSBURGH, ALLEGHENY COUNTY, PA.
MY COMMISSION EXPIRES
MARCH 2, 1981